

Appendix I

Federal Programs Excluded from the A-102 Common Rule

Note: §__ references are to the "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (A-102 Common Rule).

Background

Certain grant programs (block grant programs enacted under the Omnibus Budget Reconciliation Act of 1981, one special program, open-ended entitlement programs, and other specified programs) are exempt from the provisions of the A-102 Common Rule. These programs are listed below. State administrative requirements for financial management and control apply to the block grant programs (including their subrecipients) and Federal agency regulations apply to the programs which are not block grants.

Block grant programs and the one special program are also exempt from the provisions of OMB cost principles circulars. State cost principles requirements apply to these programs (including their subrecipients). The open-ended entitlement programs and other specified programs are subject to the provisions of the OMB cost principles circulars.

The administrative requirements for the open-ended entitlement programs contained in Federal agency regulations may not be identical to those in the A-102 Common Rule. Rather than identify for testing each instance where the requirements differ, this Compliance Supplement only addresses differences that warrant special attention. These differences are in the areas of real property and equipment, procurement, and financial reporting. With respect to all other administrative requirements, the auditor should be guided by the provisions of the A-102 Common Rule (see Part 3) or Circular A-110 and agency program requirements (see Part 4).

USDA's program rules for the Food Stamp Program are in 7 CFR parts 271-285. HHS's program rules for Medicaid, AFDC, Child Support Enforcement, and Foster Care and Adoption Assistance programs are in 42 CFR parts 430-498, 45 CFR parts 201-257, 45 CFR parts 301-307, and 45 CFR parts 1355-1357, respectively. 45 CFR part 95, "General Administration - Grant Programs (Public Assistance and Medical Assistance)," applies to all of these HHS programs.

Differences pertaining to real property and equipment

USDA's program rules for real property and equipment (property) acquired under the Food Stamp program are in 7 CFR section 277.13, Property. These rules provide for reimbursing the Federal Government for its share of the fair market value of property with an original cost of \$1000 or more when the property is no longer needed.

Differences pertaining to procurement

USDA's program rules for procurement associated with the Food Stamp program are in 7 CFR 277.14, Procurement standards. These rules require pre-award review and approval for all noncompetitive procurements over \$10,000, all one bid only procurements over \$10,000, and all

procurements over \$10,000 which specify a brand name. The rules also limit small purchase procedures to purchases under \$10,000.

Subpart F of 45 CFR 95, ADP equipment and services, applies to all of these programs. Subpart F requires prior Federal written approval for the acquisition of ADP equipment and services of \$5 million or more when the Federal Government funds at regular matching rates and prior written approval for all ADP acquisitions when the Federal Government funds at enhanced matching rates. In addition, the rules require prior Federal written approval for sole source contracts between \$1 million and \$5 million when the Federal Government funds at regular matching rates and for certain requests for proposals (RFPs), contracts, and amendments.

Differences pertaining to financial reporting

USDA's financial reporting requirements associated with the Food Stamp program are provided in Part 4 of this Supplement.

HHS's financial reporting requirements associated with Medicaid, Child Support Enforcement, Foster Care, and Adoption Assistance are provided in Part 4 of this Supplement. HHS's reporting requirements for AFDC Assistance have been approved under the Paperwork Reduction Act of 1980, as amended. The auditor should consult with the auditee to obtain the most current requirements.

Programs Excluded from the Requirements of the A-102 Common Rule

Since many of the programs excluded from the A-102 Common Rule were reauthorized or amended, the following list provides the current CFDA number and name as listed in the 1996 CFDA. A notation is included with the program name to indicate when only part of the awards under a CFDA number are excluded from the A-102 Common Rule or to provide other clarifications.

§____.4(a)(2) Block grant programs authorized by:

The Omnibus Budget Reconciliation Act of 1981 (§____.4(a)(2))

93.569	Community Services Block Grant
93.991	Preventive Health and Health Services Block Grant
93.958 and	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse (both of these were formerly part of the ADAMHA block grant)
93.994	Maternal and Child Health Services Block Grant to the States
93.667	Social Services Block Grant
93.568	Low-Income Home Energy Assistance
14.228	Community Development Block Grants/State's Program (State-administered small cities program)
84.298	Innovative Education Program Strategies (Title VI) (formerly Chapter 2 of ECIA)

- 17.250 and Job Training Partnership Act (Title I and II)
 17.246 Employment and Training Assistance--Dislocated Workers (Title III)
 (For both of these programs (17.250 and 17.246), Section 164(a)(3) of the Job Training Reform Amendments of 1992, and the implementing regulations at 20 CFR section 627.420, prescribe minimum requirements for procurements made with Job Training Partnership Act (JTPA) Titles I, II, and III funds. These requirements largely parallel, and in some cases exceed, the procurement provisions of the A-102 Common Rule. Also, 20 CFR section 627.435(b) provides that the determination of whether a JTPA Title I, II, or III cost is direct or indirect shall be made in accordance with the OMB cost principles Circulars identified in 29 CFR part 97, the Department of Labor's adoption of the A-102 Common Rule at 29 CFR section 97.22(b).)

Special program

- 84.010 Title I Grants to Local Educational Agencies (formerly Chapter 1 of ECIA)

Open-ended entitlement programs

§____.4(a)(3) Entitlement grants to carry out the following programs of the Social Security Act:

- 93.560 Family Support Payments to States--Assistance Payments (AFDC Maintenance Assistance)
 93.563 Child Support Enforcement (Title IV-D)
 93.658 and Foster Care--Title IV-E
 93.659 Adoption Assistance (Title IV-E)
 93.778 Medical Assistance Program (Medicaid; Title XIX) (not including the State Medicaid Fraud Control program)

See Note 1 below for applicable Federal agency regulations.

§____.4(a)(7) A grant for an experimental, pilot, or demonstration project that is also supported by a grant listed in paragraph (a)(3) of this section.

See Note 1 below for applicable Federal agency regulations.

§____.4(a)(6) Entitlement grants for State Administrative expenses under The Food Stamp Act of 1977

- 10.561 State Administrative Matching Grants for Food Stamp Program

See Note 2 below for applicable Federal agency regulations.

§____.4(a)(4) Entitlement grants under the following programs of The National School Lunch Act:

- 10.555 (i) National School Lunch Program (General Assistance)
 10.550 (ii) Food Distribution (Distributions for entitlement programs only, that is the Commodities for Child Nutrition Programs)

- 10.555 (iii) National School Lunch Program (Special Meal Assistance)
 10.559 (iv) Summer Food Service Program for Children
 10.558 (v) Child and Adult Care Food Program

See Note 2 below for applicable Federal agency regulations.

§____.4(a)(5) Entitlement grants under the following programs of The Child Nutrition Act of 1966:

- 10.556 (i) Special Milk Program for Children
 10.553 (ii) School Breakfast Program

See Note 2 below for applicable Federal agency regulations.

Other specified programs

§____.4(a)(8) Grant funds awarded under subsection 412(e) of the Immigration and Nationality Act (8 USC 1522(e)) and subsection 501(a) of the Refugee Education Assistance Act of 1980 (42 USC 1535) (Pub. L. No. 96-422, 94 Stat. 1809), for cash assistance, medical assistance, and supplemental security income benefits to refugees and entrants and the administrative costs of providing the assistance and benefits.

- 93.566 Refugee and Entrant Assistance--State Administered Programs

See Note 1 below for applicable Federal agency regulations.

§____.4(a)(9) Grants to local education agencies under 20 USC 236 through 241-1(a), and 242 through 244 (portions of the Impact Aid program), except for 20 USC 238(d)(2)(c) and 240(f) (Entitlement Increase for Handicapped Children).

- 84.041 Impact Aid (excluding payments for children with disabilities and payments for construction)

§____.4(a)(10) Payments under the Veterans Administration's State Home Per Diem Program.

- 64.014 Veterans State Domiciliary Care
 64.015 Veterans State Nursing Home Care
 64.016 Veterans State Hospital Care

Note 1: Even though the programs listed under paragraphs §____.4(a)(3), §____.4(a)(7), and §____.4(a)(8) are exempt from the A-102 Common Rule, they are currently covered by HHS's interim final implementation of OMB Circular A-110 which HHS has titled as "Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Non-Profit Organizations, and Commercial Organizations; and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments" (45 CFR part 74) which has requirements **less** restrictive (for institutions of higher education) but similar to the A-102 Common

Rule and "General Administration-Grant Programs (Public Assistance and Medical Assistance)" (45 CFR part 95).

Note 2: Even though the entitlement programs listed under paragraphs §____.4(a)(4), §____.4(a)(5), §____.4(a)(6) above are exempt from the A-102 Common Rule, they are covered by USDA's 7 CFR part 3015 which has requirements **more** restrictive but similar to the A-102 Common Rule.

Appendix II

Federal Agency Codification of Certain Governmentwide Grants Requirements

Agency (departments then agencies ¹)	A-102 Common Rule (State & local governments)	OMB Circular A-110 (universities & non-profit organizations) ²	Nonprocurement Suspension & Debarment ³
Agriculture	7 CFR 3016	7 CFR 3019	7 CFR 3017
Commerce	15 CFR 24	15 CFR 14	15 CFR 26
Defense	32 CFR 33	32 CFR 32	32 CFR 25
Education	34 CFR 80	34 CFR 74	34 CFR 85
Energy	10 CFR 600	10 CFR 600	10 CFR 1036
Health & Human Services	45 CFR 92	45 CFR 74	45 CFR 76
Housing & Urban Development	24 CFR 85	24 CFR 84	24 CFR 24
Interior	43 CFR 12	43 CFR 12	43 CFR 12
Justice	28 CFR 66	28 CFR 70	28 CFR 67
Labor	29 CFR 97	29 CFR 95	29 CFR 98
State	22 CFR 135	22 CFR 145	22 CFR 137
Transportation	49 CFR 18	49 CFR 19	49 CFR 29
Treasury			31 CFR 19
Veterans Affairs	38 CFR 43		38 CFR 44
ADF			22 CFR 1508
AID		22 CFR 226	22 CFR 208
CNCS	45 CFR 2541	45 CFR 2543	45 CFR 2542
EPA	40 CFR 31	40 CFR 30	40 CFR 32
EX-IM			
FEMA	44 CFR 13		44 CFR 17
FMCS	29 CFR 1470		29 CFR 1471
GSA	41 CFR 105-71	41 CFR 105-72	41 CFR 105-68
IMS	45 CFR 1183		45 CFR 1185

Agency (departments then agencies ¹)	A-102 Common Rule (State & local governments)	OMB Circular A-110 (universities & non-profit organizations) ²	Nonprocurement Suspension & Debarment ³
IAF			22 CFR 1006
NASA	14 CFR 1273	14 CFR 1260	14 CFR 1265
NARA	36 CFR 1207	36 CFR 1210	36 CFR 1209
NEA	45 CFR 1157		45 CFR 1154
NEH	45 CFR 1174		45 CFR 1169
NSF	45 CFR 602		45 CFR 620
ONDCP	21 CFR 1403		21 CFR 1404
OPM			5 CFR 970
OPIC			
Peace Corps			22 CFR 310
SBA	13 CFR 143		13 CFR 145
TVA			
USIA		22 CFR 518	22 CFR 513

NOTES:

1. Abbreviations used for the following independent agencies: African Development Foundation (ADF), Agency for International Development (AID), Corporation for National & Community Service (CNCS), Environmental Protection Agency (EPA), Export-Import Bank of the United States (EX-IM), Federal Emergency Management Agency (FEMA), Federal Mediation & Conciliation Service (FMCS), General Services Administration (GSA), Institute of Museum Services (IMS), Inter-American Foundation (IAF), National Aeronautics & Space Administration (NASA), National Archives & Records Administration (NARA), National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), National Science Foundation (NSF), Office of National Drug Control Policy (ONDCP), Office of Personnel Management (OPM), Overseas Private Investment Corporation (OPIC), Small Business Administration (SBA), Tennessee Valley Authority (TVA), & United States Information Agency (USIA).
2. Additional agencies are expected to codify OMB Circular A-110 (58 FR 62992); in the meantime, the Circular's requirements apply to them and their awards.
3. Executive Order 12549 provided that agencies, including those which have not yet codified the common rule, are covered by OMB's governmentwide guidelines which are

identical to the common rule (see OMB's memorandum to the agencies at 60 FR 33036 and OMB's notice at 53 FR 34474).

A copy of this table is also located on OMB's Home Page
(<http://www.whitehouse.gov/OMB/grants/chart.html>)

Appendix III

Federal Agency Contacts for A-133 Audits

This appendix lists Federal agency contacts for A-133 information. A separate table is provided for each Federal agency. The left side of the table lists the addresses, phone numbers, and, where available, e-mail and web page addresses, for each contact. The right side lists the geographical area each Federal contact is responsible for overseeing.

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United States Department of Agriculture	
Regional Inspector General U.S. Department of Agriculture 5601 Sunnyside Avenue Stop 5300 Beltsville, MD 20705-5300 Phone:Voice (301) 504-2100 FAX (301) 504-2437	For audits in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, Puerto Rico, and the Virgin Islands
Regional Inspector General U.S. Department of Agriculture 401 W. Peachtree St. NW, Room 2328 Atlanta, GA 30365-3520 Phone:Voice (404) 730-3210 FAX (404) 730-3221	For audits in Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee
Regional Inspector General U.S. Department of Agriculture 111 N. Canal Street, Suite 1130 Chicago, IL 60606-7295 Phone:Voice (312) 353-1352 FAX (312) 353-3017	For audits in Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin
Regional Inspector General U.S. Department of Agriculture 101 South Main, Room 324 Temple, TX 76501 Phone:Voice (254) 743-6565 FAX (254) 298-1373	For audits in Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
Regional Inspector General U.S. Department of Agriculture P.O. Box 293 Kansas City, MO 64141-0293 Phone:Voice (816) 926-7667 FAX (816) 926-3861	For audits in Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, and Wyoming
Regional Inspector General U.S. Department of Agriculture 600 Harrison Street, Suite 225 San Francisco, CA 94107-1370 Phone:Voice (415) 744-2851 FAX (415) 744-2871	For audits in Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, Trust Territories of the Pacific, and Territory of Guam

United States Department of Agriculture	
National Single Auditor Coordinator U.S. Department of Agriculture Office of Inspector General Jamie L. Whitten Building - Room 450E 1400 Independence Ave., SW Washington, DC 20250 Phone:Voice (202) 720-2808 FAX (202) 690-4110	NATIONAL OFFICE CONTACT

Department of Commerce	
Regional Inspector General U. S. Department of Commerce 401 West Peachtree Street, N.W. Suite 2742 Atlanta, GA 30308 Phone:Voice (404) 730-2780 FAX (404) 730-2788	All audits

Department of Defense	
Office of the Deputy Assistant Inspector General for Audit Policy and Oversight Office of Inspector General U.S. Department of Defense 400 Army Navy Drive, Room 700 Arlington, VA 22202-2884 Phone:Voice (703) 604-8758 FAX (703) 604-9808 E-Mail:singlenet@dodig.osd.mil	All audits

Department of Education	
Director, Non-Federal Audits Office of Inspector General U.S. Department of Education Wanamaker Building 100 Penn Square East., Suite 502 Philadelphia, PA 19107 Phone:Voice (215) 656-6900 FAX (215) 656-6397	NATIONAL OFFICE CONTACT and audits in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, Puerto Rico, and the Virgin Islands

Department of Education

Non-Federal Audit Team
Office of Inspector General
U.S. Department of Education
1999 Bryan St., Suite 2630
Dallas, TX 75201-6817
Phone: Voice (214) 880-3031
FAX (214) 880-2492

For audits in Alabama, Arizona, Arkansas, California, Florida, Georgia, Hawaii, Kentucky, Louisiana, Mississippi, Nevada, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and the Pacific Islands

Non-Federal Audit Team
Office of Inspector General
U.S. Department of Education
10220 N. Executive Hills Blvd., 2nd Floor
Kansas City, MO 64153
Phone: Voice (816) 880-4024
FAX (816) 891-0815

For audits in Alaska, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Ohio, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming

Department of Energy

U.S. Department of Energy
Office of Inspector General
ATTN: Single Audit Contact
1000 Independence Ave. SW
IG-33, Rm 5A-193
Washington, DC 20585
Phone: Voice (202) 586-4095
FAX (202) 586-0099
Web Page: <http://www.ig.doe.gov>

All audits

Department of Health and Human Services

National Audit Managers
- Non-Federal Audits
HHS OIG National External Audit Resources
Lucas Place
323 West 8th Street, Room 514
Kansas City, MO 64105
Phone: Voice (816) 374-6714
(800) 732-0679
FAX (816) 374-6727
Web Page: <http://www.os.dhhs.gov>

All audits

Department of Housing and Urban Development

US Department of HUD
 Office of Inspector General
 Financial Audits Division
 Single Audit Coordinator
 451 7th Street, SW
 Washington, DC 20410
 Phone: Voice (202) 708-0383
 FAX (202) 708-1783
 Web Page:
<http://www.hud.gov/oig/oigindex.html>

All audits

Department of the Interior

U.S. Department of Interior
 Office of Inspector General
 4040 Fairfax Drive, Suite 304
 Arlington, VA 22203
 Phone: Voice (703) 235-9231
 FAX (703) 235-9246

All audits

Department of Justice

U. S. Department of Justice
 Washington Regional Audit Office
 1425 New York Ave, NW
 Suite 6001
 Washington, DC 20005
 (Mailing Address: P.O. Box 34190
 Washington, DC 20043-4190)
 Phone: Voice (202) 616-4688
 FAX (202) 616-4581

District of Columbia, Maryland, Virginia,
 and West Virginia

U.S. Department of Justice
 Philadelphia Regional Audit Office
 701 Market Street, Suite 201
 Philadelphia, PA 19106
 Phone: Voice (215) 580-2111
 FAX (215) 597-1348

For audits in Connecticut, Delaware, Maine,
 Massachusetts, New Hampshire, New Jersey,
 New York, Pennsylvania, Rhode Island, and
 Vermont

Department of Justice	
U.S. Department of Justice Atlanta Regional Audit Office 75 Spring Street Suite 1130 Atlanta, GA 30303 Phone:Voice (404) 331-5928 FAX (404) 331-5046	For audits in Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Puerto Rico, and the Virgin Islands
U.S. Department of Justice Chicago Regional Audit Office CitiCorp Center, 500 West Madison Suite 3510 Chicago, IL 60661 Phone:Voice (312) 353-1203 FAX (312) 886-0513	For audits in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin
U.S. Department of Justice Dallas Regional Audit Office 207 South Houston Street Box 4 (Room 575) Dallas, TX 75202 Phone:Voice (214) 655-5000 FAX (214) 655-5025	For audits in Arkansas, Colorado, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, and Wyoming
U.S. Department of Justice San Francisco Regional Audit Office 1200 Bayhill Drive, Suite 201 San Bruno, CA 94066 Phone:Voice (650) 876-9220 FAX (650) 876-0902	For audits in Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Washington, Trust Territories of the Pacific Islands, and the Commonwealth of Northern Mariana Islands
U.S. Department of Justice Assistant Inspector General for Audit 1425 New York Avenue, NW Suite 5001 Washington, DC 20005 (Mailing Address: P.O. Box 34190 Washington, DC 20043-4190) Phone:Voice (202) 616-4633 FAX (202) 616-1697	NATIONAL OFFICE CONTACT

Department of Labor

National Single Audit Coordinator
 Office of Financial Management Audits
 U.S. Department of Labor
 200 Constitution Ave. NW, Room S-5022
 Washington, DC 20210
 Phone:Voice (202) 219-5906
 FAX (202) 501-3362
 E-mail: single-audits@oig.dol.gov
 Web Page:
<http://www.oig.dol.gov/public/programs/oa/main.htm>

All audits

Department of State

U.S. Department of State
 Office of Inspector General
 OIG/AUD/CG
 1700 North Moore Street
 Arlington, VA 22209
 Phone:Voice (703) 284-2600
 FAX (703) 284-2622

All audits

Department of Transportation

U.S. Department of Transportation
 Office of Inspector General JA-20
 400 7th Street, SW
 Room 9228
 Washington, DC 20590
 Phone:Voice (202) 366-1496
 FAX (202) 366-3530

All audits

Department of the Treasury

Department of the Treasury
 Office of Inspector General
 Director of Finance, Debt, and IRS Oversight
 740 15th Street NW, Suite 600
 Washington, DC 20008
 Phone:Voice (202) 283-1079
 FAX (202) 927-5379

All audits

Department of Veterans Affairs

Director
 Planning and Operational Support Division
 (52P)
 Department of Veterans Affairs
 810 Vermont Ave. NW
 Washington, DC 20420
 Phone:Voice (202) 565-8482
 FAX (202) 565-7771

All audits

Agency for International Development

USAID
 Attn:M/OP/PS/CAM
 Contract Audit Management Branch
 Room 7.08-051
 Washington, DC 20523-7802
 Phone:Voice (202) 712-4711
 FAX (202) 216-3395
 E-Mail: SingleAudit@usaid.gov
 Web Page: <http://www.info.usaid.gov>

For audits of all U. S. based not-for-profit organizations

Appalachian Regional Commission

Appalachian Regional Commission
 Office of Inspector General
 Appalachian Regional Commission
 1666 Connecticut Ave. NW, Suite 215
 Washington, DC 20235
 Phone:Voice (202) 884-7675
 FAX (202) 884-7696
 E-Mail: hsparks@arc.gov

All audits

Corporation for National and Community Service

Office of the Inspector General
 Corporation for National and Community
 Service - Suite 8100
 1201 New York Avenue, NW
 Washington, DC 20525
 Phone:Voice (202) 606-5000 ext. 390
 FAX (202) 565-2795
 E-Mail: dreuter@cns.gov

All audits

Environmental Protection Agency

National Single Audit Coordinator
 Office of Inspector General
 Mid-Atlantic Audit Division
 U.S. Environmental Protection Agency
 3AI00
 1650 Arch Street, 3rd Floor
 Philadelphia, PA 19103-2029
 Phone:Voice (215) 814-2345
 FAX (215) 814-2351
 E-Mail: single.audit@epa.gov
 Web Page: <http://www.epa.gov/oigearth>

All audits

Federal Emergency Management Agency

Office of Inspector General
 Attn: Single Audit Coordinator
 Federal Emergency Management Agency
 500 C Street SW - Suite 510
 Washington, DC 20472
 Phone:Voice (202) 646-3221
 FAX (202) 646-3901

All audits

General Services Administration

Regional Inspector General for Auditing
 General Services Administration
 Washington Field Audit Office (JA-W)
 7 & D Street SW, Room 1064
 Washington, DC 20407
 Phone:Voice (202) 708-5340
 FAX (202) 708-7494

All audits

National Aeronautics and Space Administration

NASA Office of Inspector General
 NASA Headquarters, Code W
 Washington, DC 20546-0001
 Phone:Voice (202) 358-1232
 FAX (202) 358-3241
 E-Mail:
 code-w-aiga-staff-dir@lists.hq.nasa.gov
 Web page:
 <http://www.hq.nasa.gov/office/oig/hq>

All audits

National Archives and Records Administration

Office of Inspector General
 National Archives at College Park
 8601 Adelphi Road - Room 1300
 College Park, MD 20740-6001
 Phone:Voice (301) 713-7000
 FAX (301) 713-7320

All audits

National Endowment for the Arts

Office of Inspector General
 National Endowment for the Arts
 1100 Pennsylvania Ave. NW, Room 601
 Washington, DC 20506
 Phone:Voice (202) 682-5402
 FAX (202) 682-5649
 E-Mail: johnse@arts.endow.gov

All audits

National Endowment for the Humanities

Office of Inspector General
 National Endowment for the Humanities
 1100 Pennsylvania Ave. NW, Room 419
 Washington, DC 20506
 Phone: Voice (202) 606-8350
 FAX (202) 606-8329
 E-Mail: oig@neh.gov

All audits

National Science Foundation

Office of Inspector General
 National Science Foundation
 Assistant Inspector General for Audit
 4201 Wilson Boulevard, Suite 1135
 Arlington, VA 22230
 Phone: Voice (703) 306-2100
 FAX (703) 306-0649
 E-Mail: single_audit@nsf.gov

All audits

Nuclear Regulatory Commission

Nuclear Regulatory Commission
 Office of Inspector General
 Washington, DC 20555
 ATTN: Anthony C. Lipuma, Team Leader
 Phone: Voice (301) 415-5910
 FAX (301) 415-5091
 E-Mail: acl@nrc.gov

All audits

Small Business Administration

Deputy Assistant Inspector General for
 Auditing
 Operational Support Services
 Small Business Administration
 Office of Inspector General
 409 Third Street SW, Suite 5600
 Washington, DC 20416
 Phone: Voice (202) 205-7431
 FAX (202) 205-7874

All audits

Social Security Administration

Deputy Director
 Social Security Administration
 Office of Inspector General
 Bolling Federal Building, Room 415
 601 E. 12th Street
 Kansas City, MO 64106
 Phone:Voice (816) 936-5591
 FAX (816) 936-5966
 E-Mail: MARK.BAILEY@SSA.GOV

All audits

Tennessee Valley Authority

Assistant Inspector General,
 Audit Operations
 Tennessee Valley Authority
 Office of Inspector General
 400 West Summit Hill Drive
 Knoxville, TN 37902-1499
 Phone:Voice (423) 632-3437
 FAX (423) 632-4130

All audits

U.S. Information Agency

Department of State
 Office of Inspector General
 OIG/AUD/CG
 1700 North Moore Street, Room 720
 Arlington, VA 22209
 Phone:Voice (703) 284-2600
 FAX (703) 284-2622

All audits

Appendix IV Internal Reference Tables

Programs with sub-section "IV. Other Information" descriptions in Part 4:

<u>CFDA Number</u>	<u>Title</u>	<u>Type A/B Program</u>	<u>Schedule Federal Awards</u>	<u>Other</u>
10.760	Water and Waste Disposal Systems for Rural Communities			X
10.766	Community Facilities Loans and Grants	X	X	X
14.157	Supportive Housing for the Elderly	X	X	
17.225	Unemployment Insurance	X	X	
20.106	Airport Improvement Program			X
66.458	Capitalization Grants for State Revolving Funds			X
66.468	Capitalization Grants for Drinking Water State Revolving Fund			X
84.063	Federal Pell Grant Program (PELL)			X
93.558	Temporary Assistance for Needy Families	X	X	
93.568	Low-Income Home Energy Assistance	X	X	
93.569	Community Services Block Grant	X	X	
93.575	Child Care and Development Block Grant	X	X	
93.667	Social Services Block Grant	X	X	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	X	X	
93.991	Preventive Health and Health Services Block Grant	X	X	
93.994	Maternal and Child Health Block Grant to the States	X	X	
96.001 96.006	Disability Insurance/SSI Cluster		X	

The "IV. Other Information" for the following ED programs is located in 84.000, the ED Cross-Cutting Section

84.010	Title I Grants to Local Educational Agencies (LEAs)	X	X
84.011	Migrant Education - Basic State Grant Program	X	X
84.027	Special Education--Grants to States	X	X
84.048	Vocational Education - Basic Grants to States	X	X
84.173	Special Education--Preschool Grants	X	X
84.186	Safe and Drug-Free Schools and Communities--State Grants	X	X
84.276	Goals 2000--State and Local Education Systemic Improvement Grants	X	X
84.281	Eisenhower Professional Development State Grants	X	X
84.282	Charter Schools	X	X
84.287	Twenty-First Century Community Learning Centers	X	X
84.288	Bilingual Education-- Program Development and Implementation Grants	X	X
84.290	Bilingual Education--Comprehensive School Grants	X	X
84.291	Bilingual Education--Systemwide Improvement Grants	X	X
84.298	Innovative Education Program Strategies	X	X
84.318	Technology Literacy Challenge Fund Grants	X	X
84.340	Class Size Reduction	X	X

Program currently designated as "Higher Risk" by OMB pursuant to Circular A-133, §____.525(c)(2):

CFDA

Number Title

93.778 Medicaid Cluster

Appendix V

List of Changes for the 2000 Compliance Supplement

This Appendix provides a list of changes from the OMB Circular A-133 Compliance Supplement issued in April 1999 to this 2000 Supplement.

Part 1 - Background, Purpose, and Applicability

- ! Updated for the effective date of this Supplement.
- ! Revised description of Appendix VI to include other OMB Circular A-133 advisories.
- ! Added descriptions of new appendices titled "SAS 70 Examinations of EBT Service Organizations (Appendix VII)" and "Compliance Supplement Core Team (Appendix VIII)."
- ! Added reference to the Federal Audit Clearinghouse on the Internet.

Part 2 - Matrix of Compliance Requirements

- ! Updated for new programs and changes to existing programs.

Part 3 - Compliance Requirements

- ! Introduction - Under State, Local, and Indian Tribal Governments clarified that the A-102 Common Rule does not apply to grants and subgrants to State or local (public) institutions of higher education and hospitals. Revised references to non-profit organizations to clarify that non-profit organizations include institutions of higher education and hospitals.
- ! F. Equipment - Revised references to non-profit organizations to clarify that non-profit organizations include institutions of higher education and hospitals. Clarified applicability of suggested audit procedures 1 and 2 for real property management.
- ! I. Procurement and Suspension and Debarment - Revised references to non-profit organizations to clarify that non-profit organizations include institutions of higher education and hospitals.
- ! J. Program Income - Revised audit objective and suggested audit procedures to test that program income was correctly determined.

Part 4 - Agency Program Requirements

! Added the following new programs:

		<u>Page No.</u>
10	United States Department of Agriculture (USDA)	
	10.500 - Cooperative Extension Service	4-10.500
	10.665 - Schools and Roads--Grants to States	4-10.665
	10.666 - Schools and Roads--Grants to Counties	4-10.665
14	Department of Housing and Urban Development (HUD)	
	14.854 - Public and Indian Housing Drug Elimination Program	4-14.854
	14.867 - Indian Housing Block Grants	4-14.867
16	Department of Justice (DOJ)	
	16.710 - Public Safety and Partnership and Community Policing Grants (COPS)	4-16.710
21	Department of the Treasury	
	21.020 - Community Development Financial Institutions Program	4-21.020
23	Appalachian Regional Commission (ARC)	
	23.003 - Appalachian Development Highway System	4-20.205
81	Department of Energy (DOE)	
	81.042 - Weatherization Assistance for Low-income Persons	4-81.042
84	Department of Education (ED)	
	84.066 - TRIO--Educational Opportunity Centers	4-84.042
	84.217 - McNair Post-Baccalaureate Achievement	4-84.042
	84.276 - Goals 2000--State and Local Education Systemic Improvement Grants	4-84.276
	84.282 - Charter Schools	4-84.282
	84.287 - Twenty-First Century Community Learning Centers	4-84.287
	84.318 - Technology Literacy Challenge Fund Grants	4-84.318
	84.340 - Class Size Reduction	4-84.340
93	Department of Health and Human Services (HHS)	
	93.210 - Tribal Self-Governance Demonstration Program: Planning and Negotiation Cooperative Agreements and IHS Compacts	4-93.210
	93.556 - Family Preservation and Support Services	4-93.556
	93.645 - Child Welfare Services - State Grants	4-93.645
	93.659 - Adoption Assistance	4-93.659
	93.767 - State Children's Insurance Program (CHIP)	4-93.767
	93.958 - Block Grants for Community Mental Health Services	4-93.958
	93.994 - Maternal and Child Health Services Block Grant	

to the States

4-93.994

- ! Food for Progress Programs and Section 416(b) Program - Updated Internet reference under "L.2.b Performance Reporting."
- ! CFDA 10.551 and 10.561 - Under "II. Program Procedures," updated section, added paragraphs regarding required examination of State Electronic Benefit Transfer (EBT) service providers by an independent auditor, and added "Availability of Other Program Information." Updated "G.1 Matching."
- ! CFDA 10.553, 10.555, 10.556, and 10.559 - Updated "II. Program Procedures" and added "Availability of Other Program Information." Updated Internet reference under "E.1.a Eligibility for Individuals." Added "I. Procurement and Suspension and Debarment."
- ! CFDA 10.557 - Updated "II. Program Procedures" and added "Availability of Other Program Information." Under "A.1 Activities Allowed or Unallowed," clarified allowability of laboratory costs. Updated "E.1 Eligibility for Individuals" regarding physical presence and proof of residency requirements and added Internet reference for the poverty guidelines. Under "E.1.d Nutritional Risk," changed infant exemption from anemia testing from six to nine months of age.
- ! CFDA 10.558 - Updated "II. Program Procedures" and added "Availability of Additional Program Information."
- ! CFDA 10.566 - Corrected Part 2, "Matrix of Compliance Requirements" to show "N. Special Tests and Provisions" as not applicable.
- ! CFDA 10.760 - Under "II. Program Procedures," revised information on eligibility of grant applicants for Project Grants for Water and Waste Disposal Systems. Updated reporting requirements under "L.1 Financial Reporting."
- ! CFDA 10.766 - Updated "II. Program Procedures." Updated references to regulations in "A. Activities Allowed or Unallowed."
- ! CFDA 12.401 - Updated "II. Program Procedures." Updated legal references under "A.3 Activities Allowed or Unallowed." Revised "H. Period of Availability of Federal Funds" to clarify that the State prepares and the USPFO reviews the need determination.
- ! CFDA 14.157 - Under "II. Program Procedures," corrected date error and updated legal reference. Under "A.3 Activities Allowed or Unallowed" updated legal reference and revised paragraph regarding use of project facilities. Updated legal reference under "E.1 Eligibility for Individuals." Under L.1 Financial Reporting," removed reports *HUD-52670 Application for Housing Assistance Payments* and *HUD-52670A Schedule of Tenant Assistance Payments Due*.

- ! CFDA 14.218 and 14.219 - Under "I. Program Objectives," updated references to Federal regulations. Added "Source of Governing Requirements under "II. Program Procedures." Under "A. Activities Allowed or Unallowed," made clarifications concerning the HUD-Administered Small Cities Program. Under "G.3 Earmarking," added language specifying earmarking requirements under Small Cities Program for Hawaii and New York. Under "L.1 Financial Reporting" removed the Performance and Assessment Report.

- ! CFDA 14.228 - Under "II. Program Procedures," added "Source of Governing Requirements." Updated "A.1 Activities Allowed or Unallowed" for activities under CDBG State Program and guaranteed loan funds. Under "G.3 Earmarking," added requirement for public services earmark. Deleted additional guidance in "M. Subrecipient Monitoring."

- ! CFDA 14.231 - Updated "II. Program Procedures." Under "G.1 Matching," updated regulatory reference. Under "G.3 Earmarking," updated percentage in "G.3.a" and regulatory reference in "G.3.b." Under "N. Special Tests and Provisions," updated regulatory references.

- ! CFDA 14.235 - Clarified "A. Activities Allowed or Unallowed" by adding regulatory reference. Updated "G.1 Matching" to add new matching requirement for supportive services.

- ! CFDA 14.850 - Updated "II. Program Procedures." Updated "L.2 Performance Reporting." Corrected Part 2, "Matrix of Compliance Requirements" to show "A. Activities Allowed or Unallowed" as not applicable.

- ! CFDA 14.855 and 14.857 - Updated "II. Program Procedures." Updated regulatory reference in "N.2 Reasonable Rent" and "N.5 HQS Enforcement."

- ! CFDA 14.862 - Under L.1 Financial Reporting," removed the status and evaluation report.

- ! BIA Cross-Cutting Section - Updated statutory references for the Department of Interior and Related Agencies Appropriations Act of 1999. Revised "H. Period of Availability of Funds" to reflect that funds are available until expended.

- ! CFDA 15.021 - Under "A. Activities Allowed or Unallowed" corrected legal reference.

- ! CFDA 15.022 - Changed Part 2, "Matrix of Compliance Requirements" to show "D. Davis-Bacon" as applicable.

- ! CFDA 15.030 - Under "A. Activities Allowed or Unallowed" corrected legal reference.

- ! CFDA 15.605 and 15.611 - Under "II. Program Procedures," added "Source of Governing Requirements" and "Availability of Other Program Information." Under "G.3.b Aquatic Education," revised earmark from 12.5 to 15 percent and updated statutory reference. Under "G.3.c Recreational Boating Access Facilities," revised earmark from 12.5 to 15 percent.
- ! CFDA 16.579 - Under "II. Program Procedures," updated "Source of Governing Requirements."
- ! CFDA 17.207, 17.801, and 17.804 - Changed references to Job Training Partnership Act (JTPA) to Workforce Investment Act of 1999 (WIN) and changed legal references accordingly. Under "A. Activities Allowed or Unallowed," added paragraph "A.7 Section 7(e)."
- ! CFDA 17.225 - Updated "II. Program Procedures" and moved legal references to new heading "Source of Governing Requirements." Updated "L.1.a Financial Reporting."
- ! CFDA 17.235 - Under "E.1 Eligibility," added Internet reference for poverty guidelines.
- ! CFDA 17.247 - Under "II. Program Procedures," added "Source of Governing Requirements." Under "E.1 Eligibility for Individuals," added Internet reference to poverty guidelines. Added clarifying language under "L.1 Financial Reporting."
- ! CFDA 17.251 - Under "I. Program Objectives," moved references to laws to "II. Program Procedures" under "Source of Governing Requirements." Under "A.1.b Activities Allowed or Unallowed," added limitation on the number of weeks of participation in community service employment (CSE).
- ! CFDA 17.253 - Updated legal reference under "E.1.b Eligibility."
- ! CFDA 20.205 - Supplement was substantially revised due to issuance of new program regulations. Added CFDA 23.003, Appalachian Development Highway System, to form Highway Planning and Construction Cluster.
- ! CFDA 20.500 and 20.507 - Updated names of programs. Updated "I.2 Procurement and Suspension and Debarment," for changes in Disadvantaged Business Enterprises (DBE) requirements. Updated regulatory reference in "L.3 Special Reporting."
- ! CFDA 20.600 and 20.601 - Revised "G.1.b Matching."
- ! CFDA 45.129 - Revised "II. Program Procedures" and "A. Activities Allowed or Unallowed" to clarify regrants. Deleted "E.3 Eligibility for Subrecipients" and

- changed Part 2, "Matrix of Compliance Requirements" to show "E. Eligibility" as not applicable.
- ! CFDA 66.458 - Updated "II. Program Procedures." Revised discussion of administrative expenses in "A. Activities Allowed or Unallowed." Under "C. Cash Management," changed references from Letter-of-Credit (LOC) to EPA Automated Clearinghouse (ACH). Under "L.3 Special Reporting," deleted report details and added CFR reference.
- ! CFDA 66.468 - Updated "II. Program Procedures" and updated legal reference under "Source of Governing Requirements." Clarified "C.5 Set Asides." Under "G.1.a Matching," added requirements for payment of State matching and updated legal reference, and under "G.1.b Matching," added paragraph clarifying use of funds as a credit towards meeting match requirements. Clarified "H. Period of Availability of Funds," "J. Program Income," "N.1 Environmental Review Requirements," and "N.2. Binding Commitments." Revised "N.3 Deposits to DWSRF." Deleted "N.6. Disadvantaged Assistance." Corrected Part 2, "Matrix of Compliance Requirements" to show "D. Davis-Bacon" as not applicable.
- ! CFDA 83.543 - Updated "II. Program Procedures." Under "E.1 Eligibility for Individuals," updated statutorily maximum disaster relief amounts. Revised "G.1 Matching," indicating ability of State Governors to request a loan of the State's 25 percent matching share. Removed FEMA Form 76-28, Disaster Automated Reporting and Information System (DARIS) Status Report, from "L.1 Financial Reporting." Corrected Part 2, "Matrix of Compliance Requirements" to show "D. Davis-Bacon Act" as not applicable and "E. Eligibility" as applicable.
- ! CFDA 83.544 - Updated "II. Program Procedures." Under "L.1 Financial Reporting," indicated the SF-269 is not applicable and that the FEMA 20-10 *Financial Status Report* is used instead; and updated information on the *Public Assistance Program* report. Changed Part 2, "Matrix of Compliance Requirements" to show "F. Equipment and Real Property Management," "I. Procurement and Suspension and Debarment," and "M. Subrecipient Monitoring" as applicable.
- ! Department of Education Cross-Cutting Section - Updated for new Education programs added to the Supplement. Updated "Period of Availability of Federal Funds" for the Vocational Education program.
- ! CFDA 84.002 - Program was substantially revised due to changes enacted by Title II of the Workforce Investment Act of 1998.
- ! CFDA 84.032 - Under "Source of Governing Requirements," added availability of program regulations. Revised "N.5 Default Aversion Assistance" and "N.10 Federal Fund and Agency Operating Fund" to reflect requirements under new program regulations effective July 1, 2000.

- ! CFDA 84.042, 84.044, 84.047 - Added CFDA 84.066 and 84.217 to this cluster.
- ! CFDA 84.048 - Program was substantially revised due to changes enacted by the Carl D. Perkins Vocational and Technical Education Act of 1998.
- ! CFDA 93.558 - Supplement was substantially revised due to issuance of final program regulations.
- ! CFDA 93.569 - Supplement was substantially revised due to changes enacted by the Community Services Block Grant Act of 1998 that re-authorized this program.
- ! CFDA 93.575 and 93.596 - Added paragraph under "II. Program Procedures," elaborating nature of coordination and collaboration between Head Start and CCDF. Revised "G.3.c Specific Earmark." Under "H. Period of Availability of Federal Funds" updated example. Under "L.1.e Reporting," clarified reports due from States and Territories and those due from Federally-recognized tribes.
- ! CFDA 93.600 - Updated "II. Program Procedures, Administration and Services." Clarified "B. Allowable Costs/Cost Principles."
- ! CFDA 93.658 - Revised "H. Period of Availability of Federal Funds." Under "L.1 Financial Reporting," added Foster Care financial report.
- ! CFDA 93.914 and 93.915 - CFDA 93.914 was eliminated as a separate CFDA and the program was combined with CFDA 93.915, eliminating HIV as a cluster. The HIV program (CFDA 93.915) now appears in Part 4 under page number 4-93.915 rather than 4-93.914.
- ! CFDA 93.959 - Updated "A.7 Activities Allowed or Unallowed" regarding unallowed expenditure of funds on needle exchange programs. Updated "G.3 Earmarking" to add regulatory reference.
- ! CFDA 94.006 - Updated "II. Program Procedures." Updated "A. Activities Allowed or Unallowed" on use of grant funds. Under "E.1 Eligibility for Individuals," updated allowances for 2000-2001.
- ! CFDA 94.011 and 94.016 - Updated legal references throughout. Deleted language under "E.1 Eligibility of Individuals" regarding requirement of program to determine management responsibility of non-stipended participants.
- ! CFDA 96.001 and 96.006 - Added "IV. Other Information." Changed Part 2, "Matrix of Compliance Requirements" to show "H. Period of Availability of Funds" as applicable.

Part 5 - Clusters of Programs

- ! Student Financial Aid Cluster - Revised "II. Program Procedures" for the Higher Education Amendments of 1998 and made other clarifications in this section. Updated "C. Cash Management" for new cash monitoring method. Updated and revised "E.1 Eligibility for Individuals." Updated "G.3 Earmarking" for percentage change. Updated "L.1 Financial Reporting" for Pell payment data submission. Updated "L.3 Special Reporting" for the FPL and Grant Overpayment Reporting to the National Student Loan Data Systems. Updated "N.3 Disbursement To Or On Behalf of Students." Updated "N.4 Refund/Return of Title IV Funds" for the Higher Education Amendments of 1998."
- ! Updated list of other clusters for programs included in this Supplement.

Part 6 - Internal Control

- ! No changes made.

Part 7 - Guidance for Auditing Programs Not Included in This Compliance Supplement

- ! Removed reference to the President's Council on Integrity & Efficiency publication, *Revised Program Audit Guide Listing*.

Appendix I - Federal Programs Excluded From the A-102 Common Rule

- ! Updated "Background" to reflect that Adoption Assistance (CFDA 93.659) has been added to this Supplement.

Appendix II - Federal Agency Codification of Certain Governmentwide Grant Requirements

- ! No changes made.

Appendix III - Federal Agency Contacts for A-133 Audits

- ! Updated Federal agency contacts.

Appendix IV - Internal Reference Tables

- ! Updated tables for changes in this Supplement.

Appendix V - List of Changes for the 2000 Compliance Supplement

- ! Updated this appendix to provide a list of changes from the OMB Circular A-133 Compliance Supplement issued in April 1999 to this 2000 Supplement.

Appendix VI - Other OMB Circular A-133 Advisories

- ! Revised title to reflect inclusion of other advisories and added advisory on impact of Y2K on audits of Federal awards under OMB Circular A-133.

Appendix VII - SAS 70 Examinations of EBT Service Organizations

- ! Added this appendix to give guidance on the examinations required of EBT service centers for the Food Stamps program (CFDA 10.551) in accordance with the American Institute of Certified Public Accountants Statement on Auditing Standards (SAS) 70, Service Organizations.

Appendix VIII - 2000 Compliance Supplement Core Team

- ! Added this appendix to recognize contributions of interagency team to the production of this Supplement.

Appendix VI
Other OMB Circular A-133 Advisories

	Page
Advisory to Federal Grantees on Responsibility to Address the Year 2000 Issue	8-6-1
Impact of Y2K on Audits of Federal Awards Under OMB Circular A-133	8-6-5

August 19, 1998

MEMORANDUM TO THE PRESIDENT'S MANAGEMENT COUNCIL

FROM: G. Edward DeSeve
Deputy Director for Management, Acting

SUBJECT: Advisory to Federal Grantees on Responsibility to Address the Year 2000 Issue

The year 2000 (Y2K) issue has received a great deal of attention for some time now. Federal agencies are working hard to ensure internal systems and those of organizations with which they exchange data are Y2K compliant. This effort should include ensuring that Federal grantees and subgrantees are aware that systems that are not Y2K compliant may affect their ability to account for Federally funded programs in accordance with Federal requirements.

Governmentwide requirements contained in the OMB Circular A-102 Common Rule, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" and OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Non-Profit Organizations" require that grantee and subgrantee financial management systems be capable of providing specific information about Federal programs. In addition, program laws and regulations may require additional information which grantee and subgrantee systems must be capable of providing. If grantee and subgrantee systems are not Y2K compliant, they may not be capable of meeting these governmentwide and program specific requirements.

Federal grantor agencies should advise grantees of their responsibility to establish and maintain systems that meet governmentwide and program specific requirements and that systems which are not Y2K compliant may not be able to satisfy these requirements. Further, Federal grantor agencies should encourage grantees to inquire of grantor agencies about the use of grant funds to correct Y2K problems. Grantees should also be advised of their responsibility to inform their subgrantees of these requirements and about the use of grant funds to address Y2K problems.

To assist Federal agencies in advising grantees, attached you will find an advisory that all grant-making agencies should use. This will ensure uniformity and minimize confusion in instances when grantees receive an advisory from multiple Federal agencies. Each agency should provide a contact person for questions from grantees.

Should you or your staff have any questions, please contact Jimmy Charney in the Office of Federal Financial Management, at (202) 395-3993.

ADVISORY TO GRANTEES AND SUBGRANTEES

FROM: [Grants policy officer]

SUBJECT: Non Year 2000 Compliant Computer Systems May Not Meet Federal Grant Requirements

The Year 2000 Issue

The Year 2000 (Y2K) Issue concerns the ability of data processing systems to process year-date dependent data accurately beyond the year 1999. It is a broad operational problem, as well as an accounting systems problem. Systems that are not Y2K compliant may not be able to continue to process information in accordance with Federal management and program specific requirements. The inability to process information in accordance with Federal requirements could result in a requirement to return funds that have not been accounted for properly.

Federal Grants Management and Program Specific Requirements

Federal grants management requirements are contained in the OMB Circular A-102 Common Rule, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" and OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Non-Profit Organizations." These regulations require that grantee and subgrantee financial management systems be capable of providing certain information, including: (1) accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the prescribed reporting requirements; (2) the source and application of funds for federally-sponsored activities; and (3) the comparison of outlays with budgeted amounts for each award.

In addition, implementing statutes and regulations for certain Federal programs may require that systems make certain calculations or provide specified data, which may not be possible if systems are not Y2K compliant. For example, programs that provide assistance to individuals may have time limits. Such systems must be able to calculate the passage of time accurately to ensure assistance payments do not exceed prescribed limits. Loan programs may require that interest be calculated on outstanding balances over time. Accordingly, loan systems must be capable of calculating interest payments over the period covered by loan agreements.

Grantee/Subgrantee Actions

Grantees and subgrantees should identify systems critical to the management of Federal programs (mission-critical systems) and assess whether these systems are Y2K compliant. For those systems that are not Y2K compliant, grantees and subgrantees should take immediate action to remediate the Y2K problem and validate the success of the remediation effort. Since grantee and subgrantee data processing may be performed by outside entities or be dependent upon data received from outside entities, the assessment should include inquiries of these organizations about their Y2K assessment, system remediation, and testing efforts. The timetable for completing this process should ensure that properly functioning mission-critical systems are in operation before existing systems will cease performing mission-critical functions.

Grantees should advise Federal grantor agencies if the assessment discloses significant Y2K problems or if the grantee cannot complete the remediation and testing phases before systems cease performing properly. Similarly, subgrantees should advise grantees of significant Y2K problems or an inability to complete systems testing and validation before systems cease operating properly. This will assist Federal agencies, grantees, and subgrantees with contingency planning. [*Grantees should contact their Federal grantor agency about the use of Federal grant funds to address Y2K problems*] or [*Attached to this advisory is guidance about the use of grant funds to address Y2K problems.*]

Questions about this advisory

Grantees should direct questions about this advisory to the [*Federal awarding agency designated contact*]. Subgrantees should direct questions to the non-federal organization providing them with the most Federal funding.

Additional Y2K Resources

The General Services Administration's Office of Information Technology maintains an Internet site (<http://www.itpolicy.gsa.gov>) which includes valuable information about addressing the concerns discussed in this advisory. Check under the heading "Year 2000 Directories."

August 30, 1999

MEMORANDUM FOR INSPECTORS GENERAL AND CHIEF FINANCIAL OFFICERS OF
EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Sheila O. Conley
Acting Deputy Controller

SUBJECT: Impact of Y2K on Audits of Federal Awards Under OMB Circular A-133

Purpose

The Year 2000 (Y2K) issue relates to the ability of data processing systems to process year-date dependent data accurately beyond the year 1999. Systems that are not Y2K compliant may affect the ability of grantees to administer Federally-funded programs in accordance with Federal requirements.

The purpose of this memorandum is to:

- address the impact of opinion qualifications resulting from Y2K disclosures required by Technical Bulletin (TB) 98-1, *Disclosures About Year 2000 Issues*, issued by the Governmental Accounting Standards Board (GASB);
- describe the procedures to be followed if an auditee elects to submit revised financial statements to the Federal Government resulting from GASB TB 99-1, *Disclosures About Year 2000 Issues—An Amendment of Technical Bulletin 98-1*; and
- provide guidance about an auditor's responsibility to consider the Y2K issue when conducting audits in accordance with the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This memorandum should be provided to officials in your organization responsible for grants management and implementation of OMB Circular A-133.

Summary

OMB has determined that an opinion qualification resulting solely from Y2K disclosures, or the omission of such disclosures, required by GASB TB 98-1 would not preclude an entity from qualifying as a low-risk auditee under OMB Circular A-133. If an entity chooses to revise its financial statements as a result of GASB TB 99-1, and elects to submit its revised financial statements to the Federal Government, the entity should follow the procedures presented in the Attachment. Also, as with any other issue affecting an auditee's ability to comply with Federal program requirements, auditors must consider the effect of the Y2K issue when conducting OMB Circular A-133 audits, including applying the risk-based approach to selecting major Federal

programs to audit. However, the auditor is not expected to plan and perform procedures to determine whether an auditee is Y2K compliant.

Impact of GASB Technical Bulletin 98-1 on Single Audits

In October 1998, GASB issued TB 98-1, which is effective for financial statements on which the auditor's report is dated after October 31, 1998. GASB TB-98-1 requires State and local governments to include in the notes to the financial statements certain disclosures relating to the Y2K issue including:

- significant amounts of resources committed to Y2K compliance;
- a general description of how the organization is affected by the Y2K issue; and
- information about the entity's stage of readiness.

On October 22, 1998, the American Institute of Certified Public Accountants (AICPA) expressed concern that the required Y2K disclosures are neither assertable by management nor verifiable by auditors. The AICPA advised auditors to be very cautious about being associated with the disclosures. Because of the unprecedented nature of the Y2K issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, sufficient audit evidence may not exist to support the required Y2K disclosures. As a result, many audit reports issued after October 31, 1998, are qualified due to either:

- a scope limitation resulting from the auditor's inability to obtain sufficient audit evidence relating to the Y2K note disclosures; or
- the omission of the Y2K note disclosures required by GASB TB 98-1. (Omitted Y2K disclosures could result in an adverse opinion.)

OMB has received numerous inquiries about the impact of qualified and adverse opinions relating to Y2K disclosures on an auditee's ability to qualify as a low-risk auditee under OMB Circular A-133. OMB Circular A-133 permits entities to qualify as low-risk auditees and be eligible for reduced audit coverage if certain conditions are met. One condition is that the auditor's opinion on the entity's financial statements for each of the preceding two years is unqualified, unless the Federal cognizant or oversight agency for audit provides a waiver to this criterion.

OMB has concluded that a qualified or adverse opinion *resulting solely from either:*

- a scope limitation with respect to the Y2K note disclosures required by GASB TB 98-1, or
- an omission of the Y2K note disclosures required by GASB TB 98-1

would not preclude an entity from qualifying as a low-risk auditee under paragraph _____.530 of OMB Circular A-133. Accordingly, auditees with qualified or adverse opinions resulting solely

from the limited circumstances described in the preceding sentence do not need to request separate waivers from their Federal cognizant or oversight agencies for audit. However, for opinion modifications or disclaimers of opinion for any other reason, auditees must obtain waivers from their Federal cognizant or oversight agencies for audit to be considered a low-risk auditee under paragraph ____530 of OMB Circular A-133.

Procedures for Submitting Revised Financial Statements

On March 29, 1999, GASB issued TB 99-1, *Disclosures About Year 2000 Issues—An Amendment of Technical Bulletin 98-1*. The revision modifies the Y2K disclosures and allows such disclosures to be presented either in the notes to the financial statements or as required supplementary information (RSI). While the auditor is required to perform certain procedures on RSI, reporting on such information (including an omission of RSI) *does not affect the auditor's opinion* on the basic financial statements (see Auditing Sections 551, "Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents," and 558, "Required Supplementary Information," of the AICPA's *Codification of Statements on Auditing Standards*). GASB TB 99-1 became effective upon issuance on March 29, 1999, and retroactive application is allowed. As a result of permitting retroactive implementation, some auditees may choose to revise their 1998 financial statements and have their auditors reissue the related auditor's reports.

Auditees are not required to submit financial statements that are revised based on GASB TB 99-1 to the Federal Government, unless specifically requested by a Federal awarding agency. Under these circumstances, the revised financial statements need only be sent to the requesting agency and are not required to be sent to the Federal Audit Clearinghouse as provided in the Attachment. However, if an auditee elects to submit revised financial statements to the Federal Government, the procedures described in the Attachment should be followed.

Auditor Consideration of the Y2K Issue Under Single Audit

As with any other issue affecting an auditee's ability to comply with requirements related to Federal awards, auditors must consider the effect of the Y2K issue when conducting audits in accordance with OMB Circular A-133, including applying the risk-based approach to selecting major programs (paragraph ____520 of OMB Circular A-133). However, the auditor is not expected to plan and perform procedures to determine whether an auditee is Y2K compliant or has made specified progress towards becoming Y2K compliant.

When applying the risk-based approach to selecting major programs, paragraph ____520(c)(1) of OMB Circular A-133 states that "The auditor shall consider . . . whether any changes in personnel or systems affecting a Type A program have significantly increased risk . . ." The Y2K issue poses a greater risk for Federal awards that rely heavily on data processing systems to administer such awards. Auditors should specifically assess the risk associated with Y2K for large Federal programs (i.e., Type A programs) and document this assessment as part of the risk-based approach.

Auditors should be aware, and consider as part of the major program risk assessment process, that the Y2K issue may affect the administration of Federal awards *prior to the year 2000* for

certain programs. For example, programs that provide assistance to individuals may have time limits on eligibility. Such systems must be able to calculate the passage of time accurately to ensure that assistance payments do not exceed prescribed limits. Also, loan programs may require that interest be calculated on outstanding balances over time. Accordingly, loan systems must be capable of calculating interest payments over the period covered by loan agreements.

Additional Information

Questions regarding this memorandum should be directed to an auditee's Federal cognizant or oversight agency for audit. (See paragraph ____400 of OMB Circular A-133 for guidance on determining Federal cognizant or oversight agencies for audit.)

Websites that contain useful information include:

- <http://www.whitehouse.gov/OMB>
- <http://www.gasb.org>
- <http://www.aicpa.org>

**Procedures for Submitting an Amended Reporting Package
Due to Y2K Disclosures¹**

1. **Prepare amended reporting package.** The amended reporting package should *only* include the *revised* financial statements and *reissued* auditor's report on the revised financial statements.
2. **Mark contents of amended reporting package:** "REVISED DUE TO Y2K DISCLOSURES"
3. **Prepare a transmittal letter.** The transmittal letter should accompany the amended reporting package, in lieu of preparing a revised data collection form, and include the following:
 - A description of the nature of the revision and its impact.¹
 - Name, title, and signature of certifying official (representing the auditee).
 - Auditee's employer identification number (EIN).
4. **Submit *one copy* of the amended reporting package and transmittal letter to the Federal Audit Clearinghouse.³** Amended reporting packages, along with accompanying transmittal letters, should be addressed as follows:

Revised Report--Y2K Disclosure
Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132
5. **A subrecipient should determine whether an amended reporting package should be submitted to its pass-through entities.** Subrecipients required to submit a reporting package to pass-through entities under paragraph ____320(e) of OMB Circular A-133 should also submit an amended reporting package to those same pass-through entities, unless otherwise informed by such pass-through entities.

¹These procedures apply *only* to situations in which an auditee chooses to revise its financial statements pursuant to Technical Bulletin (TB) 99-1, *Disclosures About Year 2000 Issues--An Amendment of Technical Bulletin 98-1*, issued by the Governmental Accounting Standards Board (GASB). Auditees are not required to submit financial statements that have been revised based on GASB TB 99-1 to the Federal Government, unless specifically requested by a Federal awarding agency. However, if an auditee elects to submit revised financial statements to the Federal Government, the auditee should follow the procedures presented in this Attachment.

²For example, "As permitted by GASB TB 99-1, ABC Government revised its financial statements as of and for the period ended June 30, 1998. Required disclosures about the Year 2000 are presented as required supplementary information in the revised financial statements, whereas such disclosures were previously presented in the notes to the

financial statements. As a result, the auditor's report on the revised financial statements is unqualified, whereas a qualified opinion was rendered on the previously-issued financial statements."

³It is not necessary to submit to the Clearinghouse additional report copies for Federal awarding agencies. The Clearinghouse will retain one archival copy of the amended OMB Circular A-133 reporting package and transmittal letter. However, if specifically requested by a Federal awarding agency, an auditee should provide additional copies directly to the Federal agency.

Appendix VII

SAS 70 Examinations of EBT Service Organizations

Background

States must obtain an examination by an independent auditor of the State electronic benefits transfer (EBT) service providers (service organizations) regarding the issuance, redemption, and settlement of benefits under the Food Stamps program (CFDA 10.551) in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 70, Service Organizations. Also, States are required to ensure that the service organization has these examinations performed at least annually, that the examinations cover the entire period since the previous examination period, and that the examination reports are submitted to the State within 90 days after the end of the examination period. The examination report must include a list of all States whose systems operate under the same control environment. The auditor of the service organization is required to issue a report on controls placed in operation and tests of operating effectiveness, which is commonly referred to as a "type 2 report" (7 CFR section 274.12(j)(5), OMB No. 0584-0500).

In performing audits under OMB Circular A-133 of the Food Stamps program, an auditor may use these SAS 70 reports to gain an understanding of internal controls and obtain evidence about the operating effectiveness of controls.

A SAS 70 type 2 report includes a description by the service organization's management of control objectives and related controls as they relate to the services provided, a description by the service organization's auditor of their tests of operating effectiveness and the results of those tests, and an auditor's report. This appendix is intended to assist service organizations and their auditors by describing illustrative control objectives and controls which service organizations may have in place. When such controls are present and operating effectively, they may enable auditors of user organizations to assess control risk below the maximum for financial statement assertions related to EBT transactions. The illustrative control objectives and controls in this appendix may not necessarily reflect how a specific service organization considers and implements internal control. Also, this appendix is not a checklist of required controls. Service organizations' controls may be properly designed and operating effectively even though some of the controls included in this appendix are not present. Further, service organizations could have other controls operating effectively that have not been included in this appendix. Service organizations and their auditors will need to exercise judgment in determining the most appropriate and cost effective controls in a given environment or circumstance.

Many of the illustrative controls are stated in relation to the kinds of policies and procedures that are "established" or "in place" at an organization. It would be insufficient for such policies and procedures to merely exist on paper and not be implemented. To meet the criteria of a SAS 70 type 2 examination, the policies and procedures would need to be suitably designed, placed in operation, and operating effectively.

1. Control Environment

Illustrative Control Objective:

Controls provide reasonable assurance that the EBT system functions in a manner consistent with its policies, and complies with applicable laws and regulations (Food Stamp Act of 1977, as amended (7 USC 2016(i)) and 7 CFR section 274.12).

Illustrative Controls:

- The service organization has written policies and procedures for the system processing EBT transactions.
- The organization identifies and analyzes relevant risks to the EBT process.
- Policies and procedures regarding acceptable employee practices, conflicts of interests, and codes of conduct have been established and communicated to employees with EBT responsibilities.
- Policies and procedures are established for performing background investigations of employees prior to employment.
- Policies and procedures have been established to segregate incompatible functions (e.g., application programming, systems and operation, financial duties, data storage, government reimbursement payment requests, transaction processing, and reconciliation) so no individual interacting with the system can exercise unilateral control over EBT transactions.
- Policies and procedures are in place for management to monitor the effectiveness of EBT controls and correct deficiencies or weaknesses when found.
- Policies and procedures are in place to prevent management or staff from overriding controls.

2. Systems Development and Maintenance

Illustrative Control Objective:

Controls provide reasonable assurance that changes (including emergency procedures) to EBT applications and system software are authorized, tested, approved, implemented, and documented.

Illustrative Controls:

- The service organization follows a system development methodology.
- System documentation for new and existing applications are current and complete in accordance with programming and documentation standards used by the service organization.

3. Access Controls

Illustrative Control Objective:

Controls provide reasonable assurance that the EBT system is protected against unauthorized physical and logical access.

Illustrative Controls:

- The responsibility for the development and enforcement of a security policy is at an organizational level that facilitates compliance by service organization personnel and enables enforcement of policies and procedures.
- Security policy and procedures are in place and are communicated to appropriate employees and contractors.
- Policies and procedures are in place for reporting security incidents or observed irregularities to an organizational level where such matters can be investigated and resolved.
- Policies and procedures are established for the security over filing, retention, and destruction of EBT system files.
- Policies and procedures are in place for conducting security system training.
- Policies and procedures are in place for discontinuing an employee or contractor's ability to access EBT hardware, software, and data when the employee is terminated or the employee's duties are changed.
- Access to EBT files or processes is limited based upon users' needs.
- Passwords control access to EBT files, personal identification numbers (PIN), and privacy data.
- Firewalls or other procedures prevent unauthorized access to data from an external network.
- Policies and procedures are in place to prevent a State from reviewing or altering data for another State.

4. Computer Operations - Processing

Illustrative Control Objective:

Controls provide reasonable assurance that processing is scheduled and deviations from scheduling are identified and resolved.

5. Computer Operations - Data Transmission

Illustrative Control Objective:

Controls provide reasonable assurance that data transmissions are complete, accurate and secure.

Illustrative Controls:

- Policies and procedures require that PIN's and data are encrypted throughout processing.
- Encryption keys are stored in a secure manner.
- Maintenance of encryption keys is performed by authorized service center staff.
- Policies and procedures of the service organization require proper identification, validation, and acceptance of EBT transactions processed.

6. Computer Operations - Output**Illustrative Control Objective:**

Controls provide reasonable assurance that output data and documents are complete, accurate, and distributed to authorized recipients on a timely basis.

7. EBT Controls - Transactions Received from Authorized Sources**Illustrative Control Objective:**

Controls provide reasonable assurance that transactions are received from authorized sources.

Illustrative Controls:

- Policies and procedures are in place to ensure that updates of point of sale (POS) device parameters are restricted to authorized personnel.
- Policies and procedures require that POS transactions be properly validated.
- Policies and procedures for direct data entry, such as adjustments, require proper review and approval.
- Policies and procedures are in place to approve voucher transactions.
- Policies and procedures for voucher transactions prevent unauthorized access to recipient or retailer accounts.

8. EBT Controls - Transaction Amounts and Recording**Illustrative Control Objective:**

Controls provide reasonable assurance that transactions are for authorized amounts and are recorded completely and accurately.

Illustrative Controls:

- Records identify the activity and events in client accounts (e.g., deposits, withdrawals, charges, and type of transactions).

- Records identify client accounts for which benefits have not been withdrawn or used beyond pre-established periods (i.e., identify inactive accounts for which deposits are still made).
- System edits prevent individual client accounts from being credited with benefits in excess of authorized amounts.

9. EBT Controls - Processing

Illustrative Control Objective:

Controls provide reasonable assurance that transactions are processed completely and accurately.

Illustrative Controls:

- Policies and procedures of the service organization include controls to:
 - monitor and investigate any unsuccessful file transfers;
 - recover or reproduce lost or damaged data;
 - examine edit checks for unusual conditions;
 - reconcile input and output of transactions processed;
 - log and store transactions; and
 - monitor rejected transactions and account adjustment actions.

10. EBT Controls - Settlement

Illustrative Control Objective:

Controls provide reasonable assurance that settlement of funds received from benefit providers and distributed to benefits acquirers for food stamp benefit purchases and withdrawals is performed timely and accurately.

Illustrative Controls:

- Policies and procedures are in place to perform daily reconciliations of:
 - account balances;
 - net settlements; and
 - government funds.
- Policies and procedures are established for resolution of disputed transactions.
- Policies and procedures are established for requesting Federal and State reimbursements.

11. Physical Environment

Illustrative Control Objective:

Controls exist to provide reasonable assurance that physical assets are protected.

Illustrative Controls:

- Policies and procedures are established for environmental controls (e.g., maintenance schedules, fire suppression equipment, water detection and protection considerations, and the availability of an uninterruptable power system designed to protect and ensure continued operations).
- Policies and procedures call for periodic facility inspections.
- Policies and procedures for proper maintenance of hardware have been established.

12. Contingency Planning**Illustrative Control Objective:**

Controls exist within the data center to provide reasonable assurance of continuity of operations.

Illustrative Controls:

- Disaster recovery and business continuity plans exist for the system processing EBT transactions.
- The business continuity plan provides for periodic testing at the backup facility and the service organization has performed such testing.
- The service organization has a contractually protected access right to the backup facility.
- Backup arrangements for key applications, processes and files are in place.

13. Card Controls**Illustrative Control Objective:**

Controls are established to provide reasonable assurance that users of EBT benefit cards are authorized.

Illustrative Controls:

- Each transaction is validated with a unique account number and PIN.
- For benefit card issuance services provided by the EBT service organization policies and procedures are in place to:
 - prevent unauthorized assignment and replacement of PIN's;
 - properly deliver benefit cards to participants;
 - activate cards by only authorized users;
 - deactivate damaged, lost, or stolen cards;
 - record and destroy active cards returned to the service organization; and
 - control access to and inventory levels of pre-printed unused card stock.

Appendix VIII

Compliance Supplement Core Team

The Compliance Supplement Core Team is responsible for the annual production of the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. It is composed of audit and program representatives from the Federal grant-making agencies, General Accounting Office, and OMB. Leadership is rotated among agencies on an annual basis. Following is a list of team members responsible for the production of this Supplement:

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